FILE COPY
Bureau of Business and
Economic Research

Oregon Business Review

VOL. XV FEBRUARY 1956 No. 2

European Automobile Adapted To European Way of Life

By DANIEL D. GAGE*
Professor of Business Administration, Sacramento State College

Of the fifteen countries in Western Europe, this side of the Iron Curtain, five manufacture automobiles—England, Germany, France, Italy, and Sweden (Spain produces the Pegaso, a luxury car, on a very limited basis, and the Seat, a Spanish-assembled FIAT). Russia and Czechoslovakia produce motor cars, but do not compete in the "free" European market.

The division of Western Europe into five producing and ten nonproducing countries sets a pattern for tariff walls. Either to protect home industry or to assure the permanent presence of automotive plants which can be converted to the production of war-making machines, the producing countries have set up tariff barriers against the importation of foreign motor cars. French cars are not plentiful in England, and one does not see many Italian FIATS with French license plates.

Within any of the automobile-producing countries, the local manufacturer faces serious competition only from his rival fellow producers.

One must not assume, however, that tariff or tax assessments are limited to the car-producing countries. Most of the nonproducing countries use the automobile as the basis for a heavy tax levy, since it is classed as a luxury commodity on a par with spirits and tobacco; but all foreign cars may be imported into these countries without discrimination. This "free" European export market consists of ten countries, of which Norway, Denmark, Holland, Belgium, and Switzerland represent the highest purchasing power.

Since most countries have a "purchase tax" or what we call a sales tax on cars, plus an original tax based on horsepower, the manufacturer must constantly keep in mind the total cost to the consumer.[1] The tax situation is one of the vital factors in the development of the smaller European car. Another factor is the cost of gasoline, which ranges

(Continued on page 4)

* Dr. Gage was a member of the faculty of the School of Business Administration at the University of Oregon from 1929 to 1948, except for years 1942-45, when he was district rent executive, Office of Price Administration, Portland. This article is a summary of a longer study, "The European Automobile Industry," and appears for the first time in this issue of the *Review*. Dr. Gage made the study in Europe in 1955 while on sabbatical leave.

[1] An English example may be cited. The manufacturer has established a basic retail price of £300 ($840). The dealer's allowance is £50. The purchase tax is 50 per cent of £250 or £125. Therefore the actual price paid by the consumer is £300 plus £125 or £425 ($1,278).

ARTICLES OF INTEREST IN THIS ISSUE

European Automobile Adapted to European Way of Life. By Daniel D. Gage.

Southern Pacific Grows with Pacific Northwest Region. By William G. Peoples.

Oregon Bank Deposits—December 31, 1954 and 1955.

Current Business Trends in Oregon.

Southern Pacific Grows with Pacific Northwest Region*

By WILLIAM G. PEOPLES
Vice-President, System Freight Traffic, Southern Pacific Co.

We have today gathered at one of the most important points served by our railroad. This thriving city is located in the second-fastest growing state in the nation. We have big plans for Eugene, and for improved service to other Oregon areas along our lines. The entire Northwest will benefit from these improvements, for the reason that our transcontinental system is closely linked with the other rail lines serving this promising region.

I believe that I am speaking for other railroads, too, when I say that the Southern Pacific recognizes the importance of the Northwest to the economy of all America, and that we are deeply aware of our responsibility to serve you well. Our railroad is a vital part of your economy, and we take a realistic and practical view of our mutual problems. We can prosper only as you prosper. Perhaps I should not speak of *we* and *you*. Actually we are not something supplemental—we are not a service that comes to you from outside. We are here growing with you. We are a part of your business. The growing of timber is not separate from the transporting of lumber. It is all one big industry. Farming, mining, or manufacturing cannot be separated from the steel rails that tie our products into distant markets and sources of supply.

And why should we not be considered as fellow Oregonians? More than 5,000 Southern Pacific employees are Oregonians. They live here, pay taxes here, send their children to school here. From the earnings of the Southern Pacific in Oregon, they receive more than $24 million a year in wages and salaries. From the Southern Pacific and its affiliates and subsidiaries, the local and state governments in Oregon collect about $2.5 million annually in property taxes—on property that is, of course, a part of Oregon. These taxes in some areas pay a major part of the cost of supporting Oregon schools.

The Pacific Northwest—Oregon, Washington, Idaho, and that portion of Montana and Wyoming in the Columbia Basin—has a population of over 5 million people. When the Federal census of 1950 was taken, this area in ten years had shown a growth of more than 34 per cent compared with only 14.5 per cent for the nation as a whole. Oregon's gain was 40 per cent. From our studies of the

(Continued on page 2)

* Based on an address given at the meeting of the Pacific Northwest Advisory Board held at the University of Oregon on Dec. 9, 1955.

Oregon Business Review

VOL. XV EUGENE, OREGON, FEBRUARY 1956 No. 2

Bureau of Business Research, School of Business Administration
University of Oregon

WESLEY C. BALLAINE, Editor

Published monthly. Entered as second-class matter, August 10, 1948, at the postoffice at Eugene, Oregon, under the act of August 24, 1912. Persons wishing to receive the *Review* regularly should address requests to the editor. There is no subscription charge.

Southern Pacific Grows with Pacific Northwest Region

(Continued from page 1)

future, we agree with others that the population increase in this area for the next several decades should continue substantially greater than the average national gain.

It has been said by those in a position to know that the Northwest is capable of supporting a population three or four times as great as it now has—and is capable of supporting them at a higher standard of living. The undeveloped resources and potentialities are tremendous. The population is mostly young, and I know your people are imbued with the imagination and energy to take full advantage of the region's amazing opportunities.

Oregon's tremendous forest resources have been the mainstay of the state's economy since the enterprising white man first came here. The 400 billion board feet of timber situated in counties contiguous to the Oregon rail lines—Southern Pacific, S.P.&S., Portland Traction, and Union Pacific—assure continued prosperity for this area. This is especially true with the trend toward greater diversification of operations. We know that, in the lumber industry's drive to find uses for the whole log, there has been a great increase in the utilization of sawmill residuals for manufacture of pulp, paper, paperboard, hardboard, and particule board. It is said that the meat packers use everything about a hog but its squeal. The lumber industry has gone the meat packers one better. Today it uses everything about a tree, including its bark. New products from fir bark are being experimented with and some of them being produced, such as wax, soil conditioner, mastic, and other specialties. These products have a steady year-round market and will bring added wealth to the state.

The demand for plywood for home and industrial use has shown a tremendous increase. Many new plywood plants and veneer mills have gone into production within the last few years. Since 1945 the number of softwood plywood plants in Oregon has increased from 11 to 69. Eighty-eight per cent of the 1954 national plywood production was manufactured in Oregon. Oregon's pulp and paper production has considerably more than doubled in the past sixteen years. Paper production increased from 224 thousand tons in 1936 to 510 thousand tons in 1952. Pulp and paperboard production in Oregon increased in the same period from 260 thousand tons to 460 thousand tons. The rapid growth of these close associates of the lumber industry—the plywood, pulp, and paperboard industries—promises further gains and greater stability in employment for the Pacific Northwest.

At this point I want to congratulate the lumber industry for the real progress it has made toward achieving its goal for the perpetual harvesting of our great timber resources. Admittedly, much more must be done, but a good beginning has been made in the adopting of long-range practices. In the state of Oregon the annual growth of saw timber is estimated at about 3.3 billion board feet. Under very scientific management practices, an annual crop potential several times this great could be achieved.

Future timber supplies may not concern us so much here and now, but they will be of tremendous concern to our children's children. Our railroad is especially concerned because ours is an industry which goes on and on. It has existed almost 100 years in Oregon. It will exist for hundreds of years to come.

We have in the Pacific Northwest one of the greatest hydroelectric power potentials in the nation, needing only further development to attract more industries. Availability of power has already resulted in the location of chemical, electrochemical, and electrometallurgical plants, and the beginnings of a plastics manufacturing activity that can be expanded. As more power can be made available the number of industries will increase. There are already in Oregon industries producing alumina from clay at Springfield—ferronickel from low-grade nickel ore at Riddle—magnesium hydroxide from sea water near Tillamook—various metals from the black sands near Bandon—and aluminum irrigation systems are being manufactured at Eugene.

Because of the increased business activity in the Eugene area, the Southern Pacific has recently acquired some 84 acres here for future industrial development. Private parties have acquired 136 acres directly west of this property, and, through efforts of the Eugene Chamber of Commerce, and of other civic leaders, a nonprofit corporation was recently formed to acquire additional acreage. These properties totaling some 300 acres will become a planned industrial area, designed to attract warehouses, wholesalers, and distributors.

There are many industrial possibilities in Oregon still to be developed. Minerals available include chromite, mercury, gold, silver, copper, zirconium, and platinum. There also are nonmetallics such as coal, clay, pumice, tuff, basalt, silica, quartz, sandstone, and quartzite.

Also important industrially are the various processes which are tied into Oregon's agricultural production. The state has 20 million acres devoted to production of crops and livestock and more acreage could be developed through irrigation. Portland is the center of a large meat-packing industry, and one of the two leading wool shipping centers of the nation. Tillamook cheeses are famous, and Salem has fourteen canneries, one of them the largest in the nation. The renowned Blue Lake green bean was cultured in Oregon. The state produces 98 per cent of the nation's filberts, 72 per cent of its canned pears, 49 per cent of its frozen strawberries.

Experimental production of frozen foods began here as far back as 1947, and about one-quarter of the nation's total production now comes from the Pacific Northwest. The outlook is for increasing demand. The railroads, with a growing fleet of refrigerator cars capable of maintaining zero temperature, can transport these frozen foods to the farthest corners of the nation.

Pacific Northwest ports are well situated. During the

first ten months of 1955, Portland's ocean commerce showed a 15 per cent gain over the same period last year. Grain exports have been heavy. Sixty steamship lines connect the ports of Oregon and Washington with the rest of the world. This area lies within the shortest great-circle route between the United States and Japan and the Orient. The age-old Orient can become the New World as far as trade is concerned, and the Pacific Northwest stands at the gateway of this vast trade area. Also, we are on the threshold of the Air Age, in which the Pacific Northwest may assume new importance, with jet planes crossing not only the Pacific but probably the polar routes to Europe as well.

However, right now Oregon needs more diversity. For example, it has no automobile assembly plant, practically no manufacture of plastics or cellulose, although it has the raw products, and no raw steel production to supplement its present foundry and metal industry.

The Pacific Northwest need have no fears about growing beyond the capabilities of the railroads to handle its output or to bring in supplies that may not be locally available for its spectacularly increasing population. You may not hear as much about railroads nowadays as you do about other forms of transportation. The planes in the sky and the trucks on the highways demand the public's attention, while the railroads, being a part of a life that has been with us as long as we can remember, are taken for granted. But you *should* hear about the railroads. They, too, are modern. They have made tremendous strides forward, adapting to their use improvements in the arts and sciences until today the terminals, the cars, the locomotives, the tracks, and the methods of operation are of a quality that would have seemed fantastic a few years ago.

We railroaders are talking more and more about these improvements because we know it is not only to the railroad's advantage but also to the shipper's and the public's advantage to know what we can do and how economically we can do it. We do not claim that we can compete with the airlines in speed, or with the trucks in flexibility. They are both important; we have recognized the importance of the trucks by going into the trucking business ourselves. But we do feel that railroads in most instances have the edge over other forms of land transportation in their ability to handle shipments of any kind or size, safely and on time, winter or summer, when destined beyond strictly local environs, at a cost significantly less than by other means of transit.

Examples of the new changes in railroad operation are the drastic improvements all along the Southern Pacific to get more usage out of cars. Right here in Eugene we are starting work on what will be the most modern railroad yard on the Pacific Coast. It will cost about $5.75 million, and is designed primarily to speed the movement of freight cars—which has the effect of adding more cars to the working fleet. Grading for the first phase of this project is about 75 per cent completed. Construction of the entire project will probably take about two years, but we are hopeful that the track work in the first phase of the project will be in use before next summer. When completed, the present flat switching yard will have been converted to a gravity-type yard with radar controls and automatic switching, floodlighted for operations around the clock. It will speed up operations by assembling cars into trains that will require minimum re-sorting of cars at other points. The present yard contains something less than 34 miles of track with capacity for 2,325 cars. The new yard will contain almost 78 miles of track, with capacity for more than 5,000 cars.

This is only one small part of a much larger program which has seen the Southern Pacific spend or authorize for expenditure more than $921 million for physical improvements since World War II. These improvements have included purchase of more than 1,700 new diesel locomotive units, more than 57,000 new freight cars, and many thousands of devices employing the latest developments in electronics and other sciences to make railroading more efficient and to give better service to Southern Pacific customers. In 1955 alone the number of freight cars acquired or on order has totaled 14,725 at an estimated cost of $124 million.

The Southern Pacific has been a pioneer in progressiveness. As far back as 1878, when it was still known as the Central Pacific, it installed telephones for use by track walkers. Today radio is commonplace, not only on the trains but also between trains and fixed stations and in the large switching yards. Another kind of radio, which travels on wires, has been superimposed on the railroad's wire communications lines. These carrier circuits, as they are called, enable many messages to be carried simultaneously on a single pair of wires. By similar means, information concerning the shipments in a train precedes the train as it speeds across the country, enabling swifter handling by stations en route and at destination. By such means a shipper can be informed of the location and progress of his shipment at any time.

In 1949 our railroad introduced a radar-type fault finder to pin-point for communications men the location of wire trouble miles away, so that trouble shooters can be dispatched directly to the spot for quick repairs. We now have programmed the first microwave installation on the Southern Pacific, to do away entirely with wire trouble in the rugged canyon of the Sacramento River above Dunsmuir, which is a strategic section of our Shasta Route between here and central California, by substituting line-of-sight radio for the wire lines. In this installation, the radio signals will bound around mountain peaks with the aid of reflectors, to keep traffic moving into and out of Oregon without interruption.

Also on the Shasta Route, we have in recent years installed an additional 200 miles of what is known as centralized traffic control, a type of installation which increases the train-carrying capacity of a single track route by 50 per cent or more. The dispatcher in Eugene controls the track by this means as far as Crescent Lake; beyond Crescent Lake the control is at Dunsmuir.

I mentioned diesel locomotives—which have now replaced steam completely on this part of our railroad. Diesels are replacing steam locomotives because diesels are more economical to operate and are more efficient pullers, although their first cost is higher. Diesels have more power for starting and braking, and move trains faster. They have enabled us to establish the speedy schedules of the Cascade and Shasta Daylight streamliners, among the finest passenger trains in America, and to pull freight across the mountains in less time. By the end of 1958 we expect that the diesels will have taken over throughout the entire Southern Pacific System.

The railroads, including our company, try to maintain fleets of boxcars large enough to carry volume close to traffic peaks. It is not the most efficient way to operate a business—in slack periods thousands of cars must lie idle. In fact, right now we have about 2,000 empty boxcars stored awaiting orders on this division of our railroad, although we were short of cars only a month ago. But we see the need of the people of this region, and we try to meet it.

During the past ten years the Class I railroads have had a net return of less than 3.3 per cent on their net investment. No doubt the decrease nationally in ownership of boxcars reflects these inadequate earnings. However, although the Southern Pacific has had a net return of only 3.5 per cent during this period, we had at the last count increased our ownership of freight cars by 44 per cent in carrying capacity. We do not believe that any other major industry could operate as efficiently on earnings so low as those of the railroads industry, and at the same time make improvements to its properties. We want to keep rail rates low enough to attract traffic to our lines in large volume—because it is the handling of large volume traffic that makes our efficiencies possible—and this is to the shipper's advantage as well as ours.

OREGON BANK DEPOSITS December 31, 1954 and 1955

Oregon Bank deposits by counties on December 31, 1954 and December 31, 1955 are shown below (figures supplied by the State Supervisor of Banking):

County	*Dec. 31, 1955*	*Dec. 31, 1954*
Baker	$ 14,891,624.69	$ 15,201,571.12
Benton	29,944,888.24	28,705,658.08
Clackamas	54,382,375.13	50,642,613.73
Clatsop	31,816,093.07	29,621,004.49
Columbia	17,497,583.43	17,119,767.89
Coos	54,711,955.45	48,198,547.69
Crook	9,207,328.09	8,955,767.08
Curry	9,520,342.28	7,928,247.80
Deschutes	22,185,906.71	21,069,471.86
Douglas	62,770,426.33	56,957,655.60
Gilliam	4,813,330.20	4,824,900.30
Grant	6,470,690.68	6,571,294.12
Harney	6,808,152.90	6,570,839.20
Hood River	13,235,957.97	12,476,640.87
Jackson	72,097,073.51	57,604,179.88
Jefferson	4,574,211.06	4,653,794.75
Josephine	27,805,226.86	24,933,658.02
Klamath	39,225,333.28	36,000,008.45
Lake	8,982,809.02	8,172,722.84
Lane	120,558,413.71	119,121,311.50
Lincoln	15,391,339.58	14,440,410.48
Linn	47,966,935.05	45,701,738.79
Malheur	19,521,562.63	19,169,337.80
Marion	117,094,381.61	107,452,171.41
Morrow	6,629,904.94	7,111,615.99
Multnomah	911,510,851.94	895,822,357.43
Polk	13,633,626.78	10,629,750.71
Sherman	2,872,197.79	2,757,275.84
Tillamook	17,840,934.71	17,760,474.38
Umatilla	42,052,352.97	43,640,761.28
Union	16,542,281.18	15,902,591.49
Wallowa	6,255,911.91	6,105,197.03
Wasco	28,778,064.43	30,086,616.64
Washington	48,419,014.98	44,529,827.16
Wheeler	2,642,125.82	2,593,576.75
Yamhill	32,869,648.90	30,594,461.15
Totals	$1,941,553,857.86	$1,859,627,819.15

European Automobile Adapted To European Way of Life

(Continued from page 1)

from 45 to 80 cents a gallon, a price greatly boosted by a government tax which is proportionately higher than that levied by our states. Thus, from the point of view of both original and operating costs, the European automobile manufacturer has to be realistic about the product he produces, or he will automatically price himself out of the market.

And let us not lose sight of the fact that the size of the typical consumer's pocketbook is another significant factor determining the design and size of the European automobile. The per capita income of the European is much less than that of the American. And the take-home part is further diminished by postwar taxation and inflation. The problem of building a popular-priced car in Europe is an acute one. And we should also remember most European auto plants had to be rebuilt after the war, since all were primary targets for strategic bombing.

There are also important geographic factors. Distances within Europe, type of terrain, roads, streets, and traffic have had their part in molding the character of the European car. Compared to the United States or Canada, distances are short within any country, and not long from one end of Europe to the other. The European is not typically a long-distance rover over international highways, and, for the ordinary distances he has to cover, has found the smaller car adequate.

Except in Germany and a few short stretches outside and between major cities, there is no such thing as a freeway or superhighway in continental Europe or the British Isles. And it might be noted in passing that Germany secured its extensive autobahns in the 1930s, not for the convenience of motorists or truckers, but because Hitler wanted them for wide avenues of transport to fling his armored legions at his surrounding neighbors. The typical European highway is a two-lane affair and, although usually well surfaced, is generally devoid of cut-throughs and banking. Many primary roads will lead the motorist right through the heart of villages and cities, with square turns the order of the day. The high speed the American motorist is able to obtain on highways with comparative safety would be suicidal on European roads.

Contrary to the American practice of constructing roads to please the car, Europe adheres to the one which might be paraphrased, "Here are the roads, build your cars to navigate them." The applicability of this rule is most apparent in the Alpine regions. While an American highway engineer seeks a high-gear path through or over the mountains, the European gets the road over the mountain or pass in the shortest distance possible. This makes for saving time, energy and money in road building, but it also makes for some mighty steep grades, liberally sprinkled with hairpin curves and switchbacks. In parts of the Alps the motor car must face up to 32 per cent grades.

As pointed out above, the automobile plants in belligerent countries received a terrible setback during the war years. Private-use automobile manufacture ceased for six years. Plants were converted to the production of war materials. Then came the heavy bombing, with each side seek-

ing to destroy the power of the other to produce. The existing cars in use, with restricted maintenance, rapidly depreciated. To fill their own requirements for vehicles, the Nazis seized and requisitioned cars in all of the countries they overran.

After the cessation of hostilities the auto plants of England, Germany (West), France, and Italy had to be rebuilt and remanned. There was considerable delay before they could again achieve volume production. So great was the need for dollar exchange that, by government edict, priority was given to cars for export. The citizen simply had to wait his turn for a replacement for his shattered prewar relic. In England the writer was told that even now some people are on waiting lists after five years.

With new cars in short supply in Europe since the war, there has been no problem of used-car disposal by the dealers, nor any appreciable used-car supply overhanging the market. One does not see anywhere in Europe the used-car lot which is so much a part in automobile row in the United States. The specialized used-car dealer has an insignificant role in the European economy.

Even when the time is reached that new cars are freely available, a change in the scene is unlikely. Dealers do not have to make forced "trade in" deals, since a large percentage of cars are exportable. Further, because the typical European buyer is economy-minded, he is not prone to repurchase upon a change in model design. The manufacturer takes his cue from this consumer behavior and avoids retooling as long as he can to keep his costs down. A model can run from three to five years without a complete change. One car has been made ten years without a change and is still the car with the largest sales in Europe, and another has lasted twenty-four years. As one British motor-car executive told the writer, "We stick to a current design until competitors force our hand. Then we reach in our design drawer and pull out a new model we have been keeping under wraps."

Annual model change, even to the subtle redesigning of grill work and chrome, does not assume the role it does on this side of the Atlantic. The actual first-owner life of a European car is longer than that here, partly because of more careful maintenance and partly because of the owner's unwillingness to keep pace with the Joneses in what is new in fender fins and chrome bands.

When the typical European prospective motor-car owner sets his demand sights, he has certain things in mind. He does not demand the grills, the chrome, the special gadgets, power brakes, and power steering, with which our manufacturers equip their cars, but at the same time, he does not want just a box on wheels. He demands pleasing design, which naturally is more difficult to obtain with a set limit of wheel base. He does not require automatic transmissions, for he likes to shift gears; it makes him an important part of the car. Conscious of the fact that a car is a significant outward display of his personality, he wants a car with a lively motor, though he does not demand that it be one that will cause the car to leap forward at traffic change by the first press of the accelerator. He may admire those racy sport cars, but he is content on the open road to a pace that rarely exceeds fifty miles per hour.

To summarize, the European car manufacturer has his product outlined for him by the conditions of the roads and traffic and the prevailing economic situation which translated through the demands of the consumer specify a car that has: (1) low initial cost which must include a heavy tax or import levy; (2) low operating cost, because of the high costs of fuels and oils; (3) long life, for the European buyer cannot turn over a car every three years; (4) adaptability for the roads and traffic and parking problems; (5) pleasing design and a lively motor.

As to method of manufacture, there are only minor differences; most of the large European producers have followed United States assembly-line techniques. In the body assembly, different approaches will be noted; practically all major European producers use the mono or frameless method of body construction. However, many of the small producers and custom builders still continue to manufacture their product by the craftsman method, where the factory approximates the atmosphere of a large repair shop or garage.

Much the same generalization can be made concerning the methods of distribution; yet practice will vary somewhat from country to country and company to company. Perhaps the single example of the FIAT will serve to give an insight to European methods. The FIAT sales organization is known as the commercial division, with headquarters in Turin. In Italy it has twenty-two direct factory branches for sales, servicing, and parts in the major cities. In smaller cities it has 435 franchised dealerships. Export activity plays a larger part than it does for the typical American company. FIAT has over 800 authorized dealerships in Europe, Africa, South America, the Middle East, Arabia, India, Indonesia, and Australia. Unlike many other European companies, FIAT has never attempted to enter the United States or Canadian markets. Apparently it is just too busy supplying the rest of the world with one of Europe's best-known motor products.

Except in England and Italy, there is nothing comparable to the concentration of capital and control of motor-car manufacturing companies as exemplified by General Motors, Ford, and Chrysler in the United States. FIAT has practically a monopoly of popular-priced cars in Italy, with its new "600" rear engine mounted car selling for under $1,000 and its tried "1100" priced just about $1,300. Only in its higher-priced lines, the "1400" and "1900" does it compete with Lancia, Alfa Romeo, and Moretti or with custom-built cars.

England produces over thirty different makes of cars, many of which are built in small shops with limited annual production. Cars on a volume basis are manufactured by the big six—the Nuffield organization, Ford of England, Vauxhall Motors (G.M. subsidiary), Rootes group, and Standard-Triumph. Nuffield and Austin consolidated in February 1952 to produce the largest combine of motor-car manufacturing in Europe, the British Motor Co., with a capitalization of £12,000,000 ($117,600,000). Nuffield produces four lines, the Wolseley, the Morris, the Riley, and the M.G., a range of models of varying horsepower and bodies to suit every taste except for top luxury. Austin makes five grades of cars, with the highest-priced Austin in the luxury class.

The Rootes group encompasses a similar price range, with the Hillman, Humber, and Sunbeam-Talbot. Ford produces in five ranges but stays out of the luxury class; the same may be said for Standard-Triumph. Vauxhall

stays in the middle-price class with two lines. The luxury cars, Jaguar, Daimler, Bentley, Armstrong Siddeley, and the world-famous Rolls-Royce, are manufactured by smaller independent companies.

France, producing some fourteen makes of cars, shows no concentration of company ownership except for the merger of Ford with Simca in 1954. These two, with Renault, Citroen, Peugeot, and Panhard, are the six main manufacturers. Independent operators are also characteristic of Western Germany, with Volkswagen, Opel, Ford, and Mercedes-Benz out in front of a twelve-car lineup.

The European automobile plant and total production are not large if judged by United States standards. In 1954 the United States produced 5,558,739 motor cars, as against 1,912,386 for Europe, with the United Kingdom the leading producer with 769,165, followed by Western Germany's 518,190, France's 444,263, and Italy's 180,769. Yet certain plants, such as those of FIAT, Renault, Opel, Volkswagen, and Austin, employing upward of 20,000 workers, compare favorably in size with United States producers outside of the class of the big three.[2]

Aside from variation in size do the European car manufacturers offer anything new or strikingly different?

At least five producers have tried successfully the front-wheel drive. Citroen came out in 1934 with such a model and has been able to market the car for twenty-two years despite an outmoded body design.[3] By eliminating the need for the long drive shaft, the front-wheel drive has lowered the center of gravity, which, coupled with the forward pull, makes the car peerless on turns and curves at high speeds. The French Panhard and Hotchkiss Gregoire, the German Lloyd and Goliath sport model, and the Swedish Saab also have front-wheel traction.

Also to eliminate high center shafting, three cars have the engine in the rear—the widely marketed Volkswagen, the Renault "4," and the new FIAT "600." It is to be noted that rear-engine mounting appears only in the lower-priced car.

Many advantages are claimed for this innovation, but it would appear that the two principal ones are: (1) cost reduction by eliminating connecting mechanism from front to rear, and (2) lowering the floor without having to use a center tunnel with the resulting hump which is required on conventional front-engine mounting. But there are two disadvantages—the loss of trunk space, for which the empty front hooded area only partly compensates, and the possible increased hazard in head-on collision, since there is no longer the cushioning of the engine in sudden impact. So far no manufacturers of larger cars have switched over to rear-engine mounts, but the success of the Volkswagen throughout the world assures that rear engines are here to stay for the smaller economical car.

Three companies, Mercedes-Benz, FIAT (in the "1400" series), and Borgward, offer models with either conventional gas engines or diesels. Diesel adds no appreciative weight or cost, but is available only in cars of the higher price range. The primary purpose of diesel is to cut down fuel cost in the larger car, which makes it adaptable to taxicabs and cars used by commercial travelers. Against the advantage of lower fuel cost are the disadvantages of slower acceleration and a noise which, though it may not be loud, is certainly unusual coming from a motor car.

Europeans have also evolved the sliding roof, which can be made available for all cars. It is an economical way to make a semiconvertible without losing the firm construction of the complete body unit.

Since most European cars are designed for four people, there is a tendency to provide bucket seats forward. Anyone who has ridden any length of time in a bucket seat, as opposed to a bench seat, will observe that he is less tired at the end of the journey. By concaving the seat back the rider is held more closely to the movement of the car and is not required to be continually bracing himself for side sways. American manufacturers might look askance at bucket seats, for they would eliminate the space for the third person up front.

Some nine manufacturers, mostly French and German, have introduced the two-cylinder, two-cycle engine, again with the idea of producing a low-priced car with lower fuel consumption. However, most if these cars have insufficient horsepower and have not made much of a dent in competition with lower-priced four-cylinder models. In fact, several of them are definitely in the midget class and are not far removed from "doodle bugs" and cycle cars.

When one thinks of a European car, he may have a particular make in mind or he may visualize vaguely a small sport car or some of the fancy custom creations of Ghia or Pinin Farina. By the writer's count there are some fifty-seven varieties of cars made in Europe. To pick any one and say this is typical of the European car would be to risk the wrath of those not chosen—and even international repercussions. However, in countries such as Switzerland, Belgium, Holland, and Denmark, where a motor-car buyer can make his selection without regard to patriotic impulses or tariff walls, one notes that certain makes tend to predominate. The writer has selected five of these and "created" what may be called the "composite European car."[4] He has omitted from the formula the sport car, the Mercedes-Benz, Daimlers, Rolls-Royce, Bentley, and all of the midget varieties. The composite represents the car that the common man tends to buy because it fits his needs and income. It is the popular car.

To make this composite car comparable with one that represents the American popular market, a composite American car has been "created."[5] Figures have been rounded off for easier comparisons. Now let us examine these two models as if they were lined up side by side. If the hoods are opened and the two engines are examined, we will find in the American model an eight-cylinder motor turning over at 3,300 RPM's, having brake horsepower of 175, and piston displacement of 4,000 cubic centimeters. This engine drives the car to a top speed of ninety miles an hour and consumes one gallon of gas for the average

[2] The FIAT Mirafiore plant at Turin employs 22,000 workers on a two-shift basis in a plant covering 247 acres, of which 104 are under roof. The assembly line is 2,690 feet long. There are 7.5 miles of internal trackage. The Opel plant employs 21,000 workers and produced 167,650 cars in 1954. Volkswagen produced 180,047 cars in 1954 and presently turns them out at around 1,000 units per day; the company expects to produce its millionth car this year, ten years after starting production.

[3] Citroen has produced a new radically designed model, priced $1,000 higher than its previous model, which is still in production.

[4] Five selected from Opel, Record, Volkswagen, FIAT "1100," Counsel, Simca Aronda, Austin "40," Citroen "11."

[5] Five selected from Ford, Chevrolet, Buick, Plymouth, Olds, and Pontiac.

eighteen miles driven at middle speed. The engine counterpart of the European composite is a much smaller affair of four cylinders, having a brake horsepower of 42, with RPM's of 4,400 and with pistons displacing 1,300 centimeters. The top speed is twenty miles less but the gas consumption per hour of average driving is thirty-two.

One also notices striking differences in the bodies of the cars. The American composite extends nearly four feet beyond the European model with an overall length of 17+ feet as against 13.6. The difference is largely in the extent of the overhang; the wheel base of the American model is 116 inches as compared with 100. Height differences are slight—the American car at 5.3 feet is only two inches taller. Stretching a tape across the seats one reads 6.3 feet as the American width, 5.1 feet as the European width. This fact explains why the American car will seat six and the European four passengers.

If the cars are taken to the scales one will weigh 3,500 pounds and the other 2,000 pounds. Before putting the cars to a road test, one should note the tire differences—7.10 x 15 for the American and 5.50 x 15 for the European. For turning the American model will require a 42-foot circle and its partner, 36.

As the car moves forward we are surprised to find that the little European model keeps up with its American cousin, not by means of motor acceleration, with or without automatic transmission, but by lower gear ratios plus the use of four forward speeds. As speed is advanced, the greater horsepower and weight of the American car show themselves. With well-surfaced roads the European composite can run up to sixty miles per hour with comfort, but above that speed one tends to become uneasy if the higher speed is maintained for any length of time. The wheel responds quickly, an advantage in traffic and mountain, but a slight disadvantage on long trips because of greater tension in the gripping of the wheel.

When it comes to parking the two composites, and in city driving, the glory all goes to the European composite with its 13.8-foot length, 36-foot turning circle, and easy maneuverability. No power steering is necessary to overcome the handicaps of weight, length, size, and power characteristic of the American composite.[6]

This brief review of the European automobile industry and the conditions which lie behind it and the comparison of the typical European car with its American counterpart raise an interesting question. Shall we come to the conclusion that the European automobile is built to suit European demands, and that the American automobile is what the buyer here wants and is adapted best to our conditions? And that what is good for one is not good for the other? Americans who have driven European cars on the continent or have purchased them for use on this side of the Atlantic are convinced that European car manufacturers have made a demonstration that should be worthy of more examination.

If the car is primarily to serve the purpose of transportation, to get to and from work, to run errands or to get you about for social engagements at a low operating cost and investment, then you may not require two-ton, 200 horsepower, 18-foot complicated mechanisms. If, on the other hand, short-distance transportation is to be subordinated to every purpose to which the vehicle may be put—fast express transportation, a conveyance for annual vacations, an omnibus to carry the maximum passenger load, or an emblem of financial and social prestige, the European car falls short of satisfaction.

We have become accustomed to the large car. Until European cars were exported into this country in large numbers following the war, Americans had no opportunity to know anything else. Attempts of American manufacturers to produce and market a smaller car have ended in failure. Yet, despite this failure, European cars continue to be imported at an increasing rate, and the popularity of the latest importation, the Volkswagen, may portend an awakening to some of the advantages of the smaller car.

From 1908 to 1927 the Model T Ford filled the need for plain, very plain, transportation. But it failed to keep pace with changing demand and mechanical improvements and passed out of existence. Nevertheless, it is conceivable that, with our parking and garaging problems, street and highway congestion, and the constantly rising costs of private transportation, there may be a demand for a modern Model T with the flash, finish, and performance of the European composite car. But this automobile must not be cheaply constructed. In its appearance and performance it must merit the owner's pride.

If these objectives are to be atttained, there must be volume production and distribution. With volume sales, the smaller car can make a price appeal without sacrificing quality. But, until demand is built up to the point of tempting American manufacturers again into the field, this potential market will continue to be supplied by European importations.

[6] Price comparisons have been avoided because of the difficulties in taking into account taxes and export tariffs. As a rough estimate it could be stated that the European composite would cost about half that of the American composite.

CURRENT BUSINESS TRENDS IN OREGON

Life-Insurance Sales. During December 1955 sales of ordinary life insurance in Oregon (excluding industrial life insurance, group and wholesale sales under new contract, renewals, dividend additions, etc.) were 15.3 per cent ($3,853,000) higher than in November and 18 per cent higher than in the same month a year ago. The national figures showed a 13.8 per cent increase over November and a 24 per cent increase over December of last year.

Lumber. Lumber production in the Douglas-fir belt of the Pacific Northwest increased seasonally between December 1955 and January 1956. The rise of the weekly average (17,993,000 board feet) was substantially greater than during the comparable period last year (8,193,000 board feet). Moreover, orders increased moderately this year, whereas they declined last year. The figures below are supplied by the West Coast Lumbermen's Association and are in thousands of feet, board measure:

	Jan. 1956	*Dec. 1955*	*Jan. 1955*
Average weekly production	174,751	156,758	188,289
Average weekly orders	175,504	173,905	181,546
Unfilled orders, end of month	716,032	712,057	833,593
Lumber inventory, end of month	1,066,389	1,035,727	976,004

Multnomah County Real-Estate Transactions. During January 1956 there were 854 real-estate sales amounting to $9,236,139 in Multnomah County. Of these, 577 involved residences, the sales price of which was $6,072,533; 216 were vacant properties, $711,836; and 61 were business properties, $2,418,770. Additional figures are:

	Jan. 1956	*Dec. 1955*	*Jan. 1955*
Number of sales	854	886	1,071
Value of sales	$9,236,139	$8,680,502	$9,968,380
Number of mortgages	868	866	1,158
Amount loaned	$8,330,273	$8,621,699	$11,404,322
Number of sheriff's deeds	3	3	7
Amount of sheriff's deeds	$13,567	$18,943	$39,572
Average residential sales price	$10,524	$9,951	$9,906

CURRENT BUSINESS TRENDS IN OREGON

Department-Store Sales. The only retail sales indicator for Oregon is the sales of department stores in Portland, which are compiled by the Federal Reserve Bank of San Francisco. The percentage in dollar sales volume for periods ending February 4, 1956, as compared to the same periods a year ago, for Portland and other Pacific Coast cities are shown below:

	Week Ending Feb. 4	*Four Weeks Ending Feb. 4*	*Calendar Year Ending Feb. 4*
Portland	−2	−2	−6
Los Angeles	+9	−1	−5
San Francisco-Oakland	+7	+5	0
Seattle	−8	0	−5
United States	+5	+5	+1

Employment. The number of nonagricultural workers in Oregon decreased 4.7 per cent (22,000) between mid-December 1955 and mid-January 1956. The largest decreases were in retail trade (8,000) and logging and sawmills (6,200). There were no sizeable increases. The total for January was 10,800 above that of a year ago. More detailed data supplied by the Oregon State Unemployment Compensation Commission follow:

	Jan. 1956	*Dec. 1955*	*Jan. 1955*
Lumber & wood products	69,000	75,300	73,800
Food & kindred products	14,200	15,400	13,400
Other manufacturing	44,600	44,300	41,000
Total manufacturing	127,800	135,000	128,200
Contract construction	19,700	21,800	18,500
Retail trade	79,400	87,400	76,900
Government	74,200	77,400	72,100
Other nonmanufacturing	148,000	149,500	142,600
Total nonmanufacturing	321,300	336,100	315,100
Total nonagricultural employment	449,100	471,100	438,300

Index of Man Hours in Manufacturing. One of the best indicators showing changes in manufacturing activity is the man hours of industrial production workers. These figures apply only to personnel engaged in direct manufacturing activities; sales, office, and general administrative employees are excluded. The index is derived by the Bureau of Business Research from data supplied by the Oregon Unemployment Compensation Commission. The most recent reading covers the month of December 1955. (No adjustment for seasonal variation has been made. 1951=100.)

	1954	*1955*		*1954*	*1955*
Jan.	78.0	84.9	July	76.2	102.8
Feb.	79.1	85.0	Aug.	88.5	114.0
Mar.	82.8	84.4	Sept.	99.5	104.1
Apr.	86.8	85.3	Oct.	99.1	99.6
May	90.4	92.7	Nov.	95.4	91.3
June	92.2	102.1	Dec.	90.4	88.0

Business Failures. Dun and Bradstreet's series showing commercial failures is frequently considered an indicator of business health. Figures for Oregon are given below:

	1955		*1956*	
	Number	*Liabilities*	*Number*	*Liabilities*
Jan.	8	$ 160,000	13	$421,000
Feb.	2	76,000	...	...
Mar.	8	157,000	...	...
Apr.	13	259,000	...	...
May	14	368,000	...	...
June	11	310,000	...	...
July	6	236,000	...	...
Aug.	9	257,000	...	...
Sept.	7	1,009,000	...	...
Oct.	13	319,000	...	...
Nov.	14	559,000	...	...
Dec.	15	436,000	...	...

BANK DEBITS

Bank debits represent the dollar value of checks drawn against the deposit accounts of individuals and business firms. Bank debits are regarded as good indicators of current business activity, although their value for this purpose may be impaired by the inclusion of large checks arising out of transfers of funds for the purchase of certain types of capital assets that do not constitute "business activity." The Bureau of Business Research collects bank debits from 151 banks and branches monthly.

Marketing Districts	*Number of banks Reporting*	*Debits Jan. 1956*	*Debits Dec. 1955*	*Debits Jan. 1955*	*Jan. 1956 Compared with Dec. 1955*	*Jan. 1956 Compared with Jan. 1955*
Oregon	144	$1,461,619,132	$1,593,304,268	$1,401,193,469	− 8.3	+ 4.1
Portland (Portland, Hillsboro, Oregon City, etc.)	41	920,160,850	998,074,213	859,166,666	− 7.8	+ 7.1
Lower Willamette Valley (Salem, McMinnville, etc.)	22	118,457,760	134,658,970	123,693,160	−12.0	− 4.2
Upper Willamette Valley (Albany, Corvallis, Eugene, etc.)	20	140,867,893	155,213,903	144,089,881	− 9.3	− 2.2
North Oregon Coast (Astoria, Tillamook, etc.)	7	23,376,951	25,607,245	23,231,369	− 8.7	+ 0.6
Douglas, Coos, Curry counties	10	42,190,229	46,551,905	42,661,537	− 9.4	− 1.1
Southern Oregon (Ashland, Medford, Grants Pass)	6	62,051,120	62,354,814	54,826,797	− .5	+13.2
Upper Columbia River (The Dalles, Hood River, etc.)	9	27,709,587	28,852,020	31,352,397	− 4.0	−11.6
Pendleton area	7	25,777,472	24,918,346	25,879,558	+ 3.4	− 0.4
Central Oregon (Bend, Prineville, Redmond)	5	25,034,353	26,076,918	24,455,048	− 4.0	+ 2.4
Klamath Falls, Lakeview area	5	32,153,550	39,413,134	31,419,523	−18.4	+ 2.3
Baker, La Grande area	7	24,037,225	27,888,304	24,398,302	−13.8	− 1.5
Burns, Ontario, Nyssa	5	19,832,142	23,694,466	19,018,931	−16.3	+ 4.3

BUILDING PERMITS

Building permits give an indication of building operations planned rather than actual construction under way. Care must be taken in interpreting these data to allow for the lag which may elapse between the issuance of the permit and the beginning of actual construction. The data have been collected by the Bureau of Business Research.

	New Residential Jan. 1956	*New Non-residential Jan. 1956*	*Additions, Alterations & Repairs Jan. 1956*	*Totals Jan. 1956*	*Totals Dec. 1955*	*Totals Jan. 1955*
Albany	$ 40,000	$ 3,100	$ 27,525	$ 70,625	$ 13,500	$ 169,200
Baker	...	...	7,160	7,160	53,930	1,500
Bend	21,000	...	13,120	37,120	18,160	10,410
Coos Bay	13,500	1,600	11,295	26,395	81,679	4,375
Corvallis	30,000	58,000	40,680	128,680	62,150	191,135
Eugene	170,144	485,160	42,043	697,347	133,524	158,370
Grants Pass	87,715	208,600	7,570	303,885	60,575	52,905
Hillsboro	12,000	23,000	3,281	38,281	38,450	97,300
Klamath Falls	20,000	...	12,200	32,200	37,200	2,980
McMinnville	39,000	6,150	111,900	160,050	19,300	55,400
Medford	113,800	4,940	45,380	164,120	276,482	153,184
North Bend	31,950	7,780	3,570	43,300	22,800	141,087
Pendleton	69,500	...	12,500	82,000	205,944	364,080
Portland	823,325	1,819,025	618,760	3,261,110	1,303,380	2,131,735
Roseburg	21,000	75,620	58,825	155,445	72,890	118,240
Salem	149,000	33,350	482,536	664,886	333,562	297,565
Springfield	49,700	...	5,370	55,070	9,950	198,550
The Dalles	27,240	2,000	2,000	31,240	44,330	31,565
Lane County	233,500	141,930	16,500	391,930	605,825	494,195
Multnomah County (outside Portland)	1,749,985	80,550	31,075	1,861,610	1,232,895	3,153,393
Wasco County	13,152	4,350	...	17,502	30,500	10,800
36 other communities	280,700	551,530	216,153	1,048,383	1,109,420	559,096
Totals	$3,999,211	$3,506,685	$1,772,113	$9,278,339	$5,766,146	$8,403,394